



# “Network Marketing”

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## A GOOD INVESTMENT? OR A PYRAMID SCHEME?

Pyramid schemes **deceive and cheat** consumers. Con artists often disguise the scams as “network marketing” opportunities, making it difficult to tell whether the offer is legitimate or a sham.

### How Can You Tell The Difference?

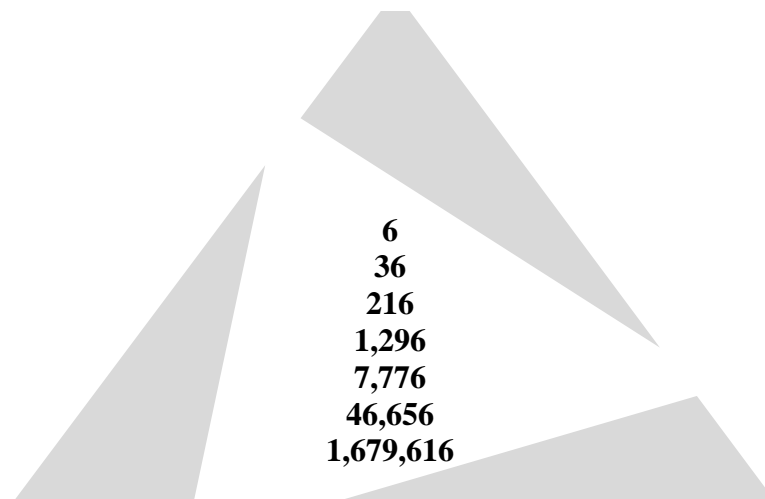
- **Network Marketing Companies:** Legitimate network or multi-level marketing companies are designed to sell **products** not **participation**. They generate money through the sale of goods and services to non-participants.
- **Pyramid Schemes:** In a pyramid scheme the sales pitch emphasizes building up the organization and the **number of participants**—not selling products to consumers.

### Pyramid Schemes:

A pyramid requires the participation of a rapidly expanding number of people. As a result, all pyramids ultimately collapse—and you lose your money.

Here’s how a typical scheme works: You pay to join the “marketing” company at the entry level. You are promised huge returns once you get to the top. You must recruit six friends in order to move up to the next level, and each of them has to recruit six more friends, and so on.

Using the above example, you have to recruit over a million people before you get to the top:



That’s more than the population of North Dakota!

**Don't Risk Your Money:**

**Before** putting your money at risk, ask yourself:

- Could you make money just by selling the product to customers? **If not, it is a scam.**
- Are training materials and sales aids provided to you at cost? **If not, it is a scam.**
- Is the emphasis on recruiting others or product sales? If it is on recruiting, then it is a scam.
- Are you told you can make lots of money with only minimal effort? **If so, it is probably a scam.**
- Are you being pressured to make a hasty decision? **If so, it is probably a scam.**
- Do you have to pay a “participation” fee? **If so, it is probably a scam.**

**WARNING: PYRAMID SCHEMES ARE HAZARDOUS TO YOUR MONEY!**

**Things To Remember:**

1. Pyramid Schemes are **illegal**. There is a real risk that a pyramid operation will be closed down by law enforcement authorities and the participants subject to fines and possible arrest.
2. Pyramid Schemes are **deceptive**. Participants in a pyramid, whether they mean to or not, are deceiving those they recruit.
3. Pyramid Schemes are **losers**. Pyramiding is based on simple mathematics: many losers pay a few winners.

**The con artist is counting on your money!**